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DEPARTMENT OF FAMILY SERVICES FUNDING SHORTFALL

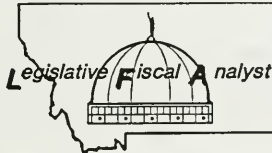
A Report Prepared for the
Legislative Finance Committee

by

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Senior Analyst

March 3, 1994



SUMMARY

The Department of Family Services (DFS) estimates that it will incur \$2.4 million more general fund costs than appropriated in fiscal 1994 and \$2.8 million more than appropriated in fiscal 1995. The over-expenditure is due to residential psychiatric treatment costs for youth who are medicaid eligible (\$4.1 million) as well as for youth who are not (\$1.9 million). Over-expenditures are partially offset by carryover of about \$700,000 from the fiscal 1993 supplemental appropriation authorized by the 1993 Legislature.

The 1993 Legislature reduced the DFS 1995 biennium budget request by \$10.4 million general fund due to elimination of medicaid funding for inpatient hospital psychiatric treatment and limiting medicaid eligibility for residential psychiatric treatment to children in the custody of the state. The reduction was partially offset by \$2.1 million general fund and \$4.3 million federal funds appropriations for other services to replace and prevent inpatient hospital psychiatric treatment of children. DFS must refinance general fund services by qualifying foster care children for federal funding in order to recoup sufficient federal funds to use the \$4.3 million federal appropriation.

DFS staff state that information during the legislative session was inadequate to determine whether the level of legislative appropriations would support services during the 1995 biennium. The 1995 biennium cost over-run is occurring despite DFS efforts to: 1) bring children placed in out-of-state residential facilities back to Montana; 2) develop lower cost alternative services than placement in residential facilities; and 3) participate in Managing Resources Montana (MRM).

MRM is a committee of state agency, service provider, and advocate representatives formed in response to language in House Bill 2 (HB 2) directing state agencies to coordinate services and funding for seriously emotionally disturbed (SED) children. The group is headed by the Department of Corrections and Human Services (DCHS).

The executive intends to fund DFS cost over-runs by paying DFS medicaid-related foster care and residential psychiatric care from excess general fund medicaid appropriations in the Department of Social and Rehabilitation Services (SRS). This solution: 1) is without statutory authority and does not appear to be in conformity with applicable statutory requirements; 2) will misstate state fiscal 1994 year-end accounting records; 3) could cause both departments to receive qualified or adverse opinions on their financial statements; 4) allows DFS to bypass the requirements of supplemental appropriation statutes and legislative oversight; and 5) has the potential to fund foster care shortfalls ineligible for medicaid reimbursement with

SRS medicaid appropriations. These problems are not resolved by the executive plan to request a supplemental appropriation for fiscal 1994 DFS expenditures from the 1995 Legislature and request that the supplemental be offset by reductions to SRS fiscal 1994 general fund appropriations.

There is an alternative that the executive could implement. The executive could statutorily fund DFS medicaid-related cost over-runs from SRS medicaid appropriations. The executive could follow the provisions of section 17-8-101(4), MCA, and transfer funds from SRS to DFS in order to cover the shortfall in medicaid costs for residential youth psychiatric treatment. DFS would need to request a supplemental to fund excess foster care costs, finance excess foster care costs within other DFS general fund appropriations, or cut services to live within appropriations.

HISTORY OF PSYCHIATRIC TREATMENT OF CHILDREN

The Montana Youth Treatment Center located in Billings and managed by DCHS provided psychiatric treatment for children. The state facility, opened in April 1985, was unable to meet federal certification requirements necessary to recoup the federal share of medicaid-eligible costs. In 1987, the state sold the Youth Treatment Center to Rivendell hospitals and the state of Montana became a client of Rivendell. The state paid \$3,053,368 in construction costs and received \$3,378,000 for the Center.

The Montana medicaid program funded inpatient hospital psychiatric treatment of youth from fiscal 1987 through fiscal 1993. In fiscal 1991, the state expanded medicaid benefits to include residential youth psychiatric treatment as well. Montana also adopted the "family-of-one rule", a colloquial term for a category of medicaid eligibility where only the child's assets are considered in determining eligibility for medicaid reimbursement of inpatient psychiatric treatment. The family-of-one rule was in place prior to the sale of the Montana Youth Treatment Center. Under the family-of-one rule, medicaid coverage of inpatient youth psychiatric treatment extended to children not in the custody of DFS and/or whose families were ineligible for medicaid.

The medicaid cost of inpatient hospital and residential psychiatric treatment of children grew from \$910,388 total funds in fiscal 1987 to \$20.7 million in fiscal 1993 with general fund supporting about one-third of the total costs.¹ In comparison, annual operating costs for the Montana Youth Treatment Center were \$2.14 million general fund in fiscal 1986. General fund costs would have been

¹DFS estimates that residential psychiatric benefits will total \$16.3 million in fiscal 1994 and \$14.4 million in fiscal 1995.

offset by federal reimbursement if the center would have been able to comply with medicaid certification.

The 1993 Legislature eliminated the family-of-one rule and eliminated inpatient hospital psychiatric treatment of youth as a medicaid benefit. (Residential psychiatric treatment of youth is still a medicaid benefit.) The 1993 Legislature reduced the DFS current level budget by \$10.2 million general fund over the 1995 biennium due to these decisions. The legislature also appropriated \$2.1 million general fund and \$4.3 million federal funds for alternative services for children in hospital psychiatric treatment or for children who needed such services. Expenditure of the federal appropriation is contingent on DFS staff determining family and children eligibility for federal programs and recouping federal reimbursement for services previously funded from the general fund.

The 1993 Legislature included language in HB 2 directing the following departments and agencies to coordinate the delivery of services and funding for SED children: DFS, SRS, DCHS, the Office of Public Instruction (OPI), the Board of Crime Control, and Department of Health and Environmental Sciences. The group is headed by DCHS and includes service providers and advocates for SED children.

MRM services are administered by regional community mental health centers. Each center has an MRM manager who assesses each child referred for MRM services. The child must meet the definition of seriously emotionally disturbed. The MRM manager gathers data on the child and may assign the child to a case manager who develops and manages a plan of services. MRM emphasizes outpatient services and can buy a variety of services to help the child including: individual and family therapy, respite care, day treatment, and case management.

MRM funding comes from DCHS and DFS. DCHS contracts with community mental health centers for mental health services. Contracts are supported by \$5.9 million general fund and \$1.4 million federal block grant funds in fiscal 1994. A separate the contract is designated for SED children's services managed through MRM (\$2.3 million per year). DFS has pledged \$3 million general fund support to MRM over the biennium, which includes the \$2 million biennial general fund appropriation made to provide services for children who were receiving or would have received psychiatric hospital services eliminated by the 1993 Legislature. DFS has not identified the source of funds for the additional \$1 million pledge. Unless DFS recoups additional authority from refinancing initiatives, the supplemental appropriation in fiscal 1995 could be increased by \$1 million. Although OPI and the Board of Crime Control have not designated funds for MRM, each provides services for SED children that could be accessed by MRM. The Board of Crime Control is examining requests for proposals to evaluate the performance of MRM.

DFS PROJECTED EXPENDITURES AND APPROPRIATIONS

Table 1 compares the DFS cost projections for foster care and medicaid residential psychiatric benefits to the allocation of general fund appropriations as considered by the Human Services Joint Appropriation Subcommittee for the 1995 biennium. In fiscal 1994, the estimated \$3.1 million cost over-run will be partially offset by the remainder of a \$2.2 million general fund supplemental appropriation authorized in HB 3 which included language reappropriating unspent funds for fiscal 1994. In fiscal 1995, DFS has not identified general fund authority available to offset the \$2.8 million supplemental appropriation. As previously noted, DFS has pledged \$3 million to MRM, transferred \$2 million of the funds, but not yet identified the source for the remaining funds. The remaining \$1 million pledged to MRM is not included in the estimated fiscal 1995 supplemental appropriation.

TABLE 1
DFS Estimate of General Fund Cost Over-runs Compared to Legislative Appropriation

| Estimated Costs and Excess Authority | FY 1994 Cost Over-run | | | FY 1995 Cost Over-run | | |
|---|------------------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------------------|
| | Legislative Allocation of Approp.* | Revised Cost Estimate | Revised Cost Over (Under) Approp. | Legislative Allocation of Approp. | Revised Cost Estimate | Revised Cost Over (Under) Approp. |
| Medicaid Related Costs | | | | | | |
| Residential Psychiatric Treatment | \$1,058,794 | \$3,206,206 | \$2,147,412 | \$1,246,161 | \$2,759,788 | \$1,511,607 |
| In-state Res. Psych. Education Costs** | 416,161 | 416,161 | 0 | 263,819 | 439,606 | 155,787 |
| Out-of-state Res. Psych. Education and Other DFS Education Costs** | 122,579 | 122,579 | 0 | 45,421 | 44,605 | (616) |
| Therapeutic Group Homes | 1,069,450 | 979,524 | (89,926) | 1,069,450 | 979,524 | (89,926) |
| Subtotal Medicaid Related | \$2,667,004 | \$4,724,490 | \$2,057,486 | \$2,646,871 | \$4,223,523 | \$1,576,652 |
| Non-medicicaid Related Costs | | | | | | |
| Foster Care | \$10,412,349 | \$11,409,928 | \$997,579 | \$10,636,774 | \$11,704,221 | \$1,067,447 |
| Family-Based Services | 545,439 | 605,654 | 60,215 | 545,462 | 687,115 | 141,633 |
| Subtotal Non-medicicaid Costs | \$10,957,788 | \$12,015,582 | \$1,057,794 | \$11,182,256 | \$12,391,336 | \$1,209,080 |
| Total Costs | \$13,624,792 | \$16,740,072 | \$3,115,280 | \$13,829,127 | \$16,614,859 | \$2,785,732 |
| Excess General Fund Appropriations Available to Offset Cost Over-run | | | | | | |
| Fiscal 1993 Supplemental | \$678,439 | \$0 | (\$678,439) | | | |
| Grand Total/Net Cost Over-run | \$14,303,231 | \$16,740,072 | \$2,436,841 | \$13,829,127 | \$16,614,859 | \$2,785,732 |

NOTES:

*This table includes DFS estimates of the cost over-run, allocation of House Bill 2 authority as considered by the Human Services appropriation subcommittee, and excess general fund authority.

**These appropriations are transferred from OPI.

Table 1 presents the general fund appropriation for residential treatment, foster care, and family based services as considered and approved by the legislature. However, DFS has allocated appropriations for foster care and residential psychiatric benefits a little differently than shown in the legislative allocation. The subcommittee appropriated \$233,161 more to medicaid reimbursable services in fiscal 1994 and \$241,376 more in fiscal 1995 than reflected in DFS allocations of the appropriation. So the DFS allocation slightly overstates the cost over-run due to medicaid funded benefits in both fiscal years when compared to appropriations as approved by the subcommittee.

OPI FUNDS FOR MEDICAID-ELIGIBLE AND DFS EDUCATION COSTS

Table 1 shows the estimated general fund portion of medicaid-eligible education costs in residential psychiatric facilities and other DFS education costs. In November 1992, federal medicaid regulations interpreted education costs in youth psychiatric facilities to be part of treatment services. So education costs for medicaid-eligible youth are partially reimbursed by federal funds (about 71 percent federal funds in the 1995 biennium). Beginning in the 1993 biennium, such education costs were paid by OPI from general fund appropriations. (Prior to the 1993 biennium, public schools were liable for such costs.)

HB 2 includes two language appropriations allowing OPI to transfer up to a certain amount of general fund to DFS for the state match for medicaid-eligible education costs. HB 2 allows OPI to transfer to DFS **up to:** 1) \$700,000 over the biennium from the appropriation for in-state residential treatment for education costs of medicaid-eligible children receiving in-state residential treatment services; and 2) \$328,458 per year from the special education appropriation for state match for DFS education costs of children with disabilities.

Last biennium, OPI would have been liable for education cost over-runs. However, this biennium, OPI, DFS, and the Office of Budget and Program Planning (OBPP) have agreed to limit OPI liability for in-state medicaid residential education/treatment costs to \$700,000 general fund over the biennium in accordance with HB 2 language. This decision makes DFS liable for the estimated education-related cost over-run in youth psychiatric treatment centers in fiscal 1995 (see Table 1). The executive branch has never before treated medicaid costs as fixed or capped with respect to the agency with the general fund match appropriation, but instead treated medicaid costs as entitlements, making the agency with the program appropriation responsible for the cost over-run. Such was the case when DFS administered youth psychiatric services, but the program appropriation was in SRS. Supplemental appropriations were made to SRS.

This two-agency responsibility for funding the residential treatment costs results in three apparent budgeting problems: 1) the total costs of providing treatment for children placed in in-state treatment facilities is not shown SBAS in a single program report; 2) two appropriation subcommittees are responsible for reviewing what should be a single program for budgeting purposes; and 3) if costs exceed appropriations, which state agency (DFS or OPI) is responsible for funding the cost over-run?

DFS EFFORTS TO CONTROL RESIDENTIAL PSYCHIATRIC TREATMENT COSTS

DFS has made efforts to control psychiatric treatment costs for youth. It has reduced the number of out-of-state placements from 145 children in March 1993 to 76 as of December 1993.

In-state residential treatment and therapeutic group home capacity have expanded since the 1993 regular session. These services generally cost less than inpatient hospital residential treatment. Fifty new residential treatment beds were authorized through the certificate of need process, bringing the in-state capacity to 168 beds. The number of therapeutic group home beds increased from 49 to 108 since the 1993 Legislature. Previous to the 1993 Legislature, therapeutic group home costs were funded entirely from the general fund, but are now eligible for medicaid funding.

DFS has identified the highest cost residential treatment cases that are not medicaid reimbursable. DFS staff believe these children lost medicaid eligibility because they have not shown a level of improvement necessary to continue to receive medicaid funding. Therefore, the cost of services for these children is born fully by the general fund. The regular foster care budget supports 935 children placed in family foster care, not including children placed in group homes. The annualized cost of the 28 high cost residential cases accounts for 16 percent of the estimated total fiscal 1994 foster care expenditures.

The 28 high cost cases are children in residential psychiatric facilities with daily costs ranging from \$108 to \$300. The majority of these children (21 of 28) are placed in out-of-state treatment facilities because in-state facilities will not or cannot accept the placements. The children have behaviors requiring specialized treatment or pose a danger to other children in the facility.

DFS will issue a request for proposals to develop in-state therapeutic group home capacity to treat eight children currently in high cost residential psychiatric placements. It will also expand current therapeutic group home placements by 16 slots. DFS will target 24 of the 28 high cost cases (paid entirely from the general fund) for placement in the new group home slots. DFS estimates that annual savings could range from \$1.2 to \$1.4 million general fund. These estimates are based on reimbursement rates between \$100 to \$175 per day and reinstatement of medicaid eligibility for children moving from residential care to therapeutic group home settings. These savings are not considered in the DFS fiscal 1995 supplemental estimate.

EXECUTIVE SOLUTION TO DFS COST OVER-RUNS

The directors of the OBPP, DFS, and SRS reviewed with the Governor a proposal to cover DFS general fund shortfall for medicaid-related residential youth psychiatric and foster care costs (see attachment 1). The executive intends to take the following steps:

- * SRS will pay claims submitted by medicaid providers;
- * DFS will reimburse SRS for medicaid claims paid, within its general fund appropriations (for medicaid match);
- * when DFS has expended 100 percent of its appropriated authority (for medicaid match) it would discontinue reimbursing SRS;
- * DFS will request a supplemental appropriation from the 1995 Legislature; and
- * DFS will request that its supplemental appropriation be offset by a reduction in the SRS general fund appropriation.

This proposal addresses the DFS shortfall over the 1995 biennium. However, fiscal 1994 is the only year that SRS is projected to have adequate general fund medicaid authority to cover DFS cost over-runs. So the supplemental requested for fiscal year 1995 is projected to fund cost over-runs in DFS that cannot be offset by SRS medicaid appropriations.

Since the executive is proposing to use SRS medicaid authority to cover DFS fiscal 1994 short falls, the executive will also include DFS medicaid-related services when medicaid cost projections and general fund appropriations are reviewed in order to decide whether to implement service reductions in fiscal 1995. Two sections of statute (53-6-101(10) and 53-6-113(7)) authorize SRS to set priorities to reduce the amount, scope, and duration of medicaid services and limit eligibility for services if the appropriation is insufficient to fund all services for all eligible persons.

STATUTORY, ACCOUNTING, AND BUDGETARY PROBLEMS WITH THE EXECUTIVE PROPOSAL

The solution chosen by the executive branch to deal with the DFS cost over-run is without statutory authorization and is based on poor accounting and budgeting practices. Legislative Council legal staff have concluded that there is no statutory authority for one agency to pay costs from its budget that are incurred by and budgeted for in another agency and that the executive proposal does not conform to statutory requirements governing appropriations. A 1993 legislative enactment authorizing the transfer of an appropriation has not been implemented.

The general appropriations act makes specific appropriations by program to specific state agencies, and statute authorizes specific instances where authority may be transferred among programs within an agency and under what circumstances authority may be transferred between agencies. HB 2 also includes specific language regarding payment of costs incurred in one agency by another agency. Statute and the general appropriations act clearly delineate the circumstances in which appropriated funds may be transferred from program to program or agency to agency. These statutes and acts do not authorize the payment of costs incurred by and budgeted for in one agency by another agency.

The executive solution allows DFS to bypass requirements of the statutes governing supplemental appropriations. Section 17-7-301, MCA allows executive branch agencies to request that the governor authorize transfer of appropriations from the second year of the biennium to the first year. If the governor finds that, due to "an unforeseen and unanticipated emergency" that the supplemental appropriation is needed he shall submit the request to the Legislative Finance Committee (LFC) for review. Upon receipt of the LFC recommendation, the governor may authorize the supplemental appropriation. Agencies requesting a supplemental appropriation must also submit a plan to reduce expenditures during the second year of the biennium so that the agency contains expenditures within appropriations. The plan is waived only for: 1) fire suppression costs; 2) OPI costs for state funding of guaranteed tax base aid, transportation aid, or equalization aid to schools; and 3) Department of Justice costs for litigation representing the state of Montana and for confinement of arrested persons in a detention center (see section 17-7-301(2)(b), MCA). OBPP is responsible for enforcing the implementation of the plan to reduce expenditures by executive branch agencies. Section 17-7-301(7)(b), MCA requires that an agency reduce all nonmandated expenditures in order to reduce to the greatest extent possible over-expenditures in the second year of the biennium mandated by state or federal law.

DFS has not submitted a plan to reduce expenditures in the second year of the biennium to cover the shortfall in fiscal 1994 appropriations and has tentative plans to request additional funds for anticipated over-expenditures in fiscal 1995 from the 1995 Legislature. Although DFS has identified the highest residential psychiatric cases paid by the general fund and will prepare a request for proposals from in-state facilities to serve such children, estimated cost savings--\$1.2 to \$1.4 million--are less than DFS estimated cost over-run in fiscal 1994.

State financial statements will be misstated if the executive proceeds with its proposal. Legislative Auditor staff believe there is a potential for both agencies to: 1) receive qualified or adverse opinions on their financial statements since agency financial records will not accurately reflect expenditures for each agency; and 2) receive audit findings and recommendations in their financial/compliance audits.

Fiscal 1994 year end SBAS records will be inaccurate and cannot be corrected even if the 1995 Legislature approves the executive request to increase fiscal 1994 general fund appropriations for DFS and offset those increases by reductions to SRS

appropriations. While agencies can process accounting adjustments to correct prior year expenditures, the fiscal year end SBAS reports can not be changed by such adjustments and will be misstated.

Since accounting records will be inaccurate, comparison of appropriations or budget requests to agency expenditures based on SBAS data will also be inaccurate. Standard tables that legislators use to compare agency expenditures, current appropriations, and appropriation requests for the 1997 biennium will be inaccurate. Staff will have to prepare substitute tables and explain the changes in narrative due to the inaccuracy in SBAS.

As noted in a previous report ("Update of Fiscal 1994 Medicaid Cost Estimates"), SRS will use excess general fund authority in fiscal 1994 to pay DFS costs. Language in HB 2 states that is it the intent of the legislature that up to \$1 million per year of unexpended general fund medicaid appropriations be used for assisted living, home-based care, or waiver services in fiscal 1994 and 1995. The executive proposal will limit SRS flexibility to comply with HB 2 language.

OPTION TO COVER MEDICAID EXPENDITURES

The Executive could accomplish its objective to cover DFS medicaid costs with excess general fund in SRS by transferring appropriation authority from SRS to DFS in accordance with section 17-8-101(4), MCA which reads:

Authority to expend appropriated money may be transferred from one state agency to another, provided that the original purpose of the appropriation is maintained. The Office of Budget and Program Planning shall report semiannually to the Legislative Finance Committee concerning all appropriations transferred under the provisions of this section.

Legislative Council legal staff believe that this statute can be applied to the payment of DFS medicaid claims with appropriation authority transferred from SRS. (Payment of foster care claims ineligible for medicaid reimbursement with medicaid appropriations would not be within the statutory authority.) OBPP staff noted this option when the executive was considering ways to deal with higher than expected residential psychiatric treatment costs. The option was not pursued because OBPP staff did not want to put SRS in the position of transferring excess general fund that may be needed to offset medicaid expenditures in SRS. In that case, the DFS general fund appropriation for residential psychiatric medicaid benefits could be transferred to SRS and total costs recorded in the SRS budget.

This option has several benefits in addition to complying with statute. State accounting records would be accurate, avoiding the potential for qualified audit opinions and budget data inaccuracies. Legislative oversight would be preserved in that OBPP is required to report semiannually on transfers of authority between agencies.

However, this statute does not allow the transfer of appropriation authority between agencies if the original purpose of the appropriation is not maintained. So medicaid authority from SRS could not be transferred to DFS to cover foster care costs that are ineligible for medicaid reimbursement. As noted in Table 1 the amount of DFS estimated cost over-run due to medicaid benefits is overstated when compared to legislative appropriations. The amount of cost over-run attributable to medicaid becomes an important consideration when SRS medicaid appropriations are used to reimburse the costs of non-medicaid programs in another agency.

The executive could also cover the foster care shortfall using this option. The executive could transfer enough general fund from SRS to DFS to more than offset medicaid-related residential psychiatric cost over-runs. DFS could reallocate residential psychiatric claims that it has already paid to the medicaid appropriation transferred from SRS. Then DFS could transfer residential psychiatric appropriations to the foster care appropriation and pay nonmedicaid foster care costs.

This option still allows DFS to avoid compliance with statutes governing supplemental appropriations. To date, transfers of appropriation authority have been for discrete programs or functions with limited expenditures and specific, constrained purposes.² Even though this option is authorized in statute, it also sets a precedent for agencies with excess medicaid appropriation authority to help: 1) fund cost over-runs in medicaid services administered by other agencies; and 2) fund all medicaid costs thereby freeing up medicaid authority to fund cost over-runs in other programs. As noted in the preceding paragraph, combined with the ability to transfer appropriation authority among agency programs, this option could be used to fund cost over-runs in programs with purposes different than the purpose of the appropriation transferred from another agency. Transferring appropriation authority to fund cost over-runs in other agencies also weakens the incentive for an agency to find ways to reduce its expenditures and live within appropriations.

ISSUES AND OPTIONS FOR COMMITTEE CONSIDERATION

There are several different issues presented in this report. Each is listed and options that the LFC may wish to consider are identified.

1. Executive Proposal to Deal with DFS Cost Over-run

- A. The LFC could take no action.
- B. The LFC could endorse the executive proposal.

²For instance, OBPP approved the transfer of the appropriation for the residential psychiatric utilization review contract from SRS to DFS.

- C. The LFC could advise the executive to:
 - i. Rely on section 17-8-101(4), MCA and transfer appropriation authority either from SRS to DFS to cover the DFS shortfall; and
 - ii. Direct the executive to prepare an updated estimate DFS costs, including residential psychiatric costs, for the June LFC meeting and report on the course of action implemented to cover the shortfall.
- D. The LFC could advise the executive to follow all items in option 1.C. and also:
 - i. Transfer only the authority needed to pay excess medicaid-eligible residential psychiatric costs to avoid offsetting costs unrelated to medicaid expenditures; and
 - ii. Follow the supplemental law with respect to the DFS cost over-run not related to medicaid expenditures.

2. Statute Allowing Transfer of Authority Between Agencies

- A. The LFC could take no action.
- B. The LFC could direct staff to review section 17-8-101(4), MCA and prepare options for LFC consideration including options to prevent transfer of funds to support: 1) supplemental appropriations; 2) cost over-runs in entitlement programs; or 3) costs different than the original purpose of the appropriation.

3. Funding Education Costs in Psychiatric Treatment Facilities

- A. The LFC could take no action.
- B. The LFC could direct staff to review possible alternatives to fund education costs in residential psychiatric treatment facilities.
- C. The LFC could request that the 1997 biennium executive budget consolidate all funding for residential treatment facility costs in one agency budget.

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OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

MARC RACICOT
GOVERNOR



PO BOX 200802
HELENA, MONTANA 59620-0802

MEMORANDUM

TO: Marc Racicot, Governor
State of Montana

FROM: Dave Lewis, Director
Office of Budget and Program Planning

Peter Blouke, Director
Department of Social and Rehabilitation Services

Hank Hudson, Director
Department of Family Services

RECEIVED

FEB 23 1994

DFS

Date: February 14, 1994

Subject: Foster Care and Residential Treatment Costs in DFS

A preliminary review indicates that DFS may need an additional \$5.2 million of general fund during the 95 biennium to provide the match needed for services covered by medicaid in Foster Care and Residential Treatment. This estimate is based on a worse case scenario.

It is our suggestion that: 1) SRS pay claims submitted for payment by providers; 2) DFS reimburse SRS for medicaid claims paid, within the appropriated authority for DFS; 3) when DFS has expended 100% of their appropriated authority they would discontinue reimbursement to SRS; 4) DFS would request a supplemental appropriation from the 1995 legislature; and 5) request that the 1995 legislature reduce the general fund medicaid match in SRS, by the same amount.

The actions recommended would reduce projected general fund reversions during the 1995 biennium in SRS. The supplemental request would use projected excess general fund authority from SRS to offset the projected general fund shortfall for medicaid match in Foster Care and Residential Treatment services, in DFS. As we prepare to respond to this issue at the next legislative finance committee meeting March 11, 1994, your consideration and response would be appreciated.